

Jon Parker
Head of Electricity Network Access
Ofgem

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Dear Jon

We write in connection with your consultation on Network Access and Forward looking charging arrangements and set out our responses to your questions below.

Background to AMP

AMP is a clean energy business focused on the provision of renewable heat and flexible power generation. We are a supplier of biomass fuels to almost 4,000 customers, we own and operate more than 100 biomass boilers on ESCO contracts, we service and maintain more than 900 boilers and manage 24 MW of gas peaking plant.

Our business Urban Reserve is developing a 50MW portfolio of flexible gas peaking plant which will be connected to the 11kV network in urban and industrial areas principally in and around London, Manchester and Liverpool where local demand for power is greatest. We believe these assets will not only provide the flexible response required by the increased deployment of intermittent renewables, but will also provide local flexibility either to DNO/DSOs looking to manage existing and future grid constraints or to private third parties (landlord, industrial tenants, EV operators) requiring more heat or power to run their businesses.

Questions and Responses

Question 1: Do you agree with the case for change as set out in chapter 2? Please give reasons for your response, and include evidence to support this where possible.

We are broadly supportive of change provided reforms are pragmatic, consistent with the government's energy policy and result in a stable set of regulatory rules which create clear and fundable incentives for investors to continue to build the electricity infrastructure of the future. We think it's important to recognise that this consultation takes place against a background of recent and ongoing change (e.g. the removal of the TNUOS residual for embedded generators) which has been/is by its very nature disruptive to private sector investment and we would encourage Ofgem to build on prior and existing thinking already done by the sector especially in relation to the definition of Generation Dominated Areas (or GDAs).

We believe that change should be focused on providing better locational signals which incentivise developers to build projects in locations where they add the greatest system value. We recognise that new generation in GDAs should be discouraged but believe that incentives (specifically red band credits) should remain in place for flexible generation in Non GDAs at HV and LV. These incentives are already transparent, simple and fundable. They provide DNOs with a way to incentivise generation during peaks and manage their network

accordingly. But to be more cost reflective, these incentives need to vary by location rather than be applied at the same rate across each DNO license area as they currently are. We believe that greater locational granularity of credits and charges is already possible at a primary substation level building on the GDA definitions developed in 2011/2015 by the DNOs/Frontier Economics using a headroom approach and data from the DNOs Long Term Development Statements (tables 3-5).

In contrast, we believe that greater temporal granularity at primary substations will be extremely difficult to achieve as thousands of HV and LV customers would be expected to pay different charges at different times, fluctuating on a daily basis. The banding system already aggregates peak probabilities across the network to enable grid charges and costs to be more accurately apportioned to each band. We believe the existing band system captures the majority of peaks whilst creating simplicity and predictability for generators, DNOs, suppliers and customers. In locations where more time-based flexibility is required (anecdotally there are parts of north Wales where consumption peaks between 1am-3am because of night storage heating), DNOs should have the flexibility to contract with specific assets to provide an alternative peak service – a “hybrid approach” – which is what we are already beginning to see in the market.

Question 2: Do you agree with our proposal that access rights should be reviewed, with the aim to improve their definition and choice? Please provide reasons for your response and, where possible, evidence to support your views.

The value of the grid is that it gives customers (generators and consumers) certainty. This certainty comes in the form of secure and predictable access and from the security of supply. We believe firm and predictable access is fundamental to households and businesses alike, and that attempts to “trade access rights” will create unnecessary complexity. Given that there will be a plethora of access requirements varying by size, connection voltage, location and time, it is hard to see how a market for access rights will ever become sufficiently liquid or deep to drive the sort of efficiencies that will justify the disruption and loss of certainty that such a market would bring about.

Currently our biggest impediment to network access is the time it takes DNOs to respond to grid applications (90 days). Furthermore, the system is hard coded to ensure that generators or consumers only get the capacity they apply for, rather than being told proactively by DNOs how much capacity is available on a particular substation. We need a more transparent system which publishes data enabling users to make rational access decisions based on use of system charges and credits at a particular substation.

Question 3: Specifically, do you have views on whether options should be developed in the following areas as part of a review? Please give reasons for your response, and where possible, please provide evidence to support your views:

- a) Establishing a clear access limit for small users, with greater choice of options (as considered under b) and c) below) above a core threshold – do you agree with our proposal in paragraphs 3.5-3.10 that this should be considered? Do you have views on how a core threshold could be set?

No we don't agree. We think this introduces too much complexity for smaller users. Complexity creates market inefficiency and barriers to entry!

- b) Firm/non-firm and time-profiled access – do you agree with our proposal outlined in paragraphs 3.15-3.21 that these options should be developed?**
- c) Duration and depth of access, discussed in paragraph 3.25-3.32 - would these options be feasible and beneficial?**
- d) At transmission or distribution in particular, or are both equally important – as discussed in this chapter?**

We think there is much more scope for variable (i.e. non-firm/time profiled access) arrangements at Transmission where there are fewer users, who are more sophisticated and more likely to have a direct relationship with the System Operator.

Question 4: Do you agree with the key links between access and charging we have identified in table 1? Why or why not? Do you think there are other key links we have not identified? Where possible, please provide evidence to support your views.

We have nothing more to add to the table

Question 5: Do you agree with our proposal that targeted areas of allocation of access should be reviewed? Please give any specific views on the areas below, together with reasons for your response. Where possible, please provide evidence to support your views: a) Improved queue management as the priority area for improving initial allocation of access, as outlined in paragraphs 3.41-3.44? b) Not to consider the potential role of auctions for initial allocation of access as part of a review at this time, as discussed in paragraph 3.44? c) To review the areas outlined in paragraphs 3.45-3.48 to support re-allocation of access?

We think a first come first serve queuing system is the fairest and easiest way of allocating access. Grid application fees have already reduced the number of speculative applications. We think auctions at HV are simply impractical given that there are circa 6,000 primary substations nationwide. We also think it will be very challenging to combine the commercial realities of development (i.e. finding a suitable site in the right area and in time for the auction) with an auction timetable.

Question 6: Do you agree that a comprehensive review of forward-looking DUoS charging methodologies, as outlined in paragraphs 4.3-4.7, should be undertaken? Please provide reasons for your response and, where possible, evidence to support your position.

Yes. The review should focus on improving locational signals and the method by which GDAs are identified and measured. Attached are our thoughts about how this could work. It's imperative the outcome of the review is consistent with government policy and will continue to incentivise flexibility, storage and the greater electrification of vehicles and fuels at HV/LV. Generation credits play a crucial role in this, as the generators revenue stack is becoming increasingly merchant and less bankable.

Question 7: Do you agree that the distribution connection charging boundary should be reviewed, but not the transmission connection boundary? Please provide reasons for your response and, where possible, evidence to support your position.

We are concerned that making the upfront cost of a grid connection cheaper will generate speculative development and the hoarding of capacity which will not get built. We are also not clear on how this will impact the value of generation credits paid at HV and LV.

Question 8: Do you agree that the basis of forward-looking TNUoS charging should be reviewed in targeted areas? If you have views on whether we should review the following specific areas please also provide these:

- a) **Do you agree that forward-looking TNUoS charges for small distributed generation (DG) should be reviewed, as outlined in paragraphs 4.19-4.23?**
- b) **Do you consider that forward-looking TNUoS charges for demand should be reviewed, as outlined in paragraphs 4.24-4.27? Please provide reasons for your response and, where possible, evidence to support your position.**

We understand that the proposal would see TNUoS charges applied to embedded generators in areas where the locational charge is negative but currently set at £0. We are broadly supportive of this provided TNUoS credits are retained by embedded generators in areas where the locational signal is positive.

Question 9: Do you agree that a broader review of forward-looking TNUoS charges, or the socialisation of Connect and Manage costs through BSUoS at this time, should not be prioritised for review? Please provide reasons for your response and, where possible, evidence to support your position.

We have no comment

Question 10: Do you agree that there would be value in further work in assessing options to make BSUoS more cost-reflective, and if so, that an ESO-led industry taskforce would be the best way to take this forward?

Given the scope of work underway in this consultation and the TCR, we think broadening the scope further is unnecessary.

Question 11: What are your views on whether Ofgem or the industry should lead the review of different areas? Please specify which of SCR scope options A-C you favour, or describe your alternative proposal if applicable. Please give reasons for your view.

Ofgem should lead the SCR in the interests of independence. We also think a comprehensive review (option c) makes most sense. However, we are not clear how Ofgem's overriding mandate to protect consumer interests will be balanced with the need to fairly protect all stakeholders (generators, suppliers, flexibility providers, aggregators) that have invested and continue to invest in the energy system, all of whom will be impacted by the SCR and all of whom are crucial to deliver government policy on renewable deployment, decarbonization and security of supply.

Question 12: Do you agree with our proposal to launch an 'Option 1' SCR for areas of review that we lead on? Please give reasons for your view.

No. We think the scale of this change requires firm leadership and clear signals to the market. Therefore we favour option 3 with the caveats set out in our response to question 11.

Question 13: Do you agree with the introduction of a licence condition on the basis described in paragraphs 5.11 and 5.12 and Appendix 5? Why or why not? Do you have any comments on the key elements set out in table 7 of Appendix 5a, or consider there are any other key elements which should be included? Please give reasons for your view.

We have no comment

Question 14: Do you have any comments on the draft wording of the outline licence condition included at Appendix 5b? Please give reasons for your view.

We have no comment

Question 15: What are your views on our indicative timelines? Do you foresee any potential challenges to, or implications of, the proposed timelines and how could these be mitigated?

Our preference would be for the TCR and SCR timescales to be aligned. We also need an adequate transitional period and we would not want to see changes come into effect before 2022/23.

Question 16: What are your views on our proposals for coordinating and engaging stakeholders in this work?

We would strongly encourage wider stakeholder engagement. It's important that stakeholder groups reflect the increasingly diverse mix of energy system stakeholders not just the interests of the Big 6 electricity companies, the large renewable generators and DNOs which have the resource and influence to be heard loudest.

Yours sincerely

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